

**GEORGETOWN-SCOTT COUNTY  
REVENUE COMMISSION, INC.**

**Report on Audited Financial Statements**

For the Year Ended June 30, 2016

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## **INDEPENDENT AUDITOR'S REPORT**

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The Board of Commissioners  
Georgetown-Scott County Revenue Commission, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of Georgetown-Scott County Revenue Commission, Inc. (Commission) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Georgetown-Scott County Revenue Commission, Inc.'s basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Georgetown-Scott County Revenue Commission, Inc. as of June 30, 2016, and the respective changes in net assets and governmental fund balance for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3 through 4 and 12 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the commission's basic financial statements. The Schedule of Tax Receipts and Remittances to Tax Authorities, Schedule of Tax Revenues Payable to Tax Authorities, and Schedule of Unearned Revenue Remitted to Tax Authorities (supplemental schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*Miller, Mayer, Sullivan, & Stevens, LLP*

Lexington, Kentucky  
November 14, 2016

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**Management's Discussion and Analysis**

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The following comments are provided as an overview of the financial activities for the year ended June 30, 2016 to assist the reader in assessment of the financial condition of Georgetown-Scott County Revenue Commission, Inc. (Commission) as of June 30, 2016. Please assess these comments in conjunction with the following financial statements and the Independent Auditor's Report.

**Introduction**

The Governmental Fund Balance Sheet/Statement of Net Position report the financial information of the Commission in two different ways. The column titled Governmental Fund represents the activities of the Commission accounted for on a modified accrual basis and does not consider the capital assets or prepaid expenses of the Commission. The column titled Statement of Net Position represents the Net Position of the Commission, including its capital assets. The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities reports the revenues and expenditures of the commissions, including the purchase of capital assets and excluding depreciation of capital assets, and the column titled Statement of Activities reports the receipts and disbursements of the Commission, including depreciation and amortization and excluding capital assets. The adjustments column on both statements provides for reconciliation between the two methods of reporting the activities of the Commission.

**Assets**

Total assets of the Commission at June 30, 2016 are \$3,678,503, which is an increase of \$260,917 from the prior year. Capital assets total \$39,477 and \$39,703 for the years ended June 30, 2016 and 2015, respectively.

**Liabilities**

Total liabilities of the Commission at June 30, 2016 are \$3,541,261, all of which are payable from current assets. This is a increase of \$292,972 from the prior year.

**Net Position**

Net Position of the Commission is \$137,242 and \$169,297 as of June 30, 2016 and 2015, respectively. Of this amount, \$39,477 and \$39,703, respectively, is invested in capital assets. The remaining balance of \$97,765 and \$129,594 is unrestricted.

**Revenues**

The activities of the Commission are financed by contributions of the City of Georgetown (40%), the Scott County Fiscal Court (40%), and the Scott County Board of Education (20%), collectively referred to as taxing authorities. These contributions were based upon each entity's share of the budgeted expenses of the Commission. These percentages were based upon the tax rate imposed by the jurisdictions and are set forth in an Interlocal Cooperative Agreement signed November 11, 2003. Total revenues realized by the Commission for the fiscal years ended June 30, 2016 and 2015 were \$399,360 and \$397,437, respectively. Total 2016 contributions from the City of Georgetown were \$159,780, from the Scott County Fiscal Court were \$159,780, and the Scott County Board of Education were \$79,800.

**Expenses**

Expenses for the Commission for the years ended June 30, 2016 and 2015 were \$431,415 and \$371,550, respectively. Of this amount, 100% were spent on General Governmental activities.

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**Management's Discussion and Analysis**

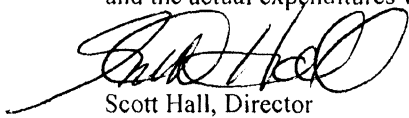
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**Year End Financial Position**

The increase (decrease) in net position for years ended June 30, 2016 and 2015 were \$(32,055) and \$25,887, respectively. The 2016 decrease was due largely to unbudgeted legal expenses of approximately \$20,000. These expenses were incurred to assist in collecting unpaid taxes from delinquent tax payers.

**Budget**

A budget for the period July 1, 2015 through June 30, 2016 was adopted by the Commission during its regular meeting on June 10, 2016. The total budgeted revenues were \$399,468, and the total budgeted expenditures were \$399,468. For the fiscal year ending June 30, 2016, the actual revenues were \$399,360, and the actual expenditures were \$430,621. This resulted in an unfavorable budget variance of \$31,261.



Scott Hall, Director

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION**  
**June 30, 2016**

|                                                    | <u>Governmental<br/>Funds</u> | <u>Adjustments</u> | <u>Statement of<br/>Net Position</u> |
|----------------------------------------------------|-------------------------------|--------------------|--------------------------------------|
| <b>Assets</b>                                      |                               |                    |                                      |
| Cash                                               | \$ 115,960                    | \$                 | \$ 115,960                           |
| Due from taxpayers:                                |                               |                    |                                      |
| Occupational license fees                          | 3,238,561                     |                    | 3,238,561                            |
| Net profits license fees                           | 196,217                       |                    | 196,217                              |
| Penalties and interest                             | 20,893                        |                    | 20,893                               |
| Regulated fees                                     | 500                           |                    | 500                                  |
| Accounts receivable-Intergovernmental              | 62,750                        |                    | 62,750                               |
| Prepaid assets                                     |                               | 4,145              | 4,145                                |
| Capital assets, net                                |                               | 39,477             | 39,477                               |
|                                                    | <u>\$ 3,634,881</u>           | <u>\$ 43,622</u>   | <u>\$ 3,678,503</u>                  |
| <b>Liabilities</b>                                 |                               |                    |                                      |
| Accounts payable, other                            | \$ 7,186                      | \$                 | \$ 7,186                             |
| Accounts payable-Intergovernmental                 | 66,824                        |                    | 66,824                               |
| Amounts due to:                                    |                               |                    |                                      |
| City of Georgetown                                 | 1,310,677                     |                    | 1,310,677                            |
| Scott County Fiscal Court                          | 1,633,793                     |                    | 1,633,793                            |
| Scott County Board of Education                    | 522,781                       |                    | 522,781                              |
|                                                    | <u>\$ 3,541,261</u>           | <u>\$</u>          | <u>\$ 3,541,261</u>                  |
| <b>Fund Balance/Net Position</b>                   |                               |                    |                                      |
| Invested in capital assets, net of<br>related debt | \$                            | \$ 39,477          | \$ 39,477                            |
| Unassigned/Unrestricted                            | 93,620                        | 4,145              | 97,765                               |
|                                                    | <u>\$ 93,620</u>              | <u>\$ 43,622</u>   | <u>\$ 137,242</u>                    |

Amounts reported in the Governmental Fund balance sheet differ with the reported amounts in the statement of net position as follows:

|                                                                                                                                                                                          |                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Capital assets, net of depreciation totaling \$98,315, used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet | \$ 39,477        |
| Prepaid expenses used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet                                       | <u>4,145</u>     |
|                                                                                                                                                                                          | <u>\$ 43,622</u> |

*The accompanying notes are an integral part of the financial statements.*

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE/STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

|                                              | <u>Governmental<br/>Funds</u> | <u>Adjustments</u>      | <u>Statement of<br/>Activities</u> |
|----------------------------------------------|-------------------------------|-------------------------|------------------------------------|
| <b>Expenses</b>                              |                               |                         |                                    |
| Contract labor                               | \$ 312,250                    | \$                      | \$ 312,250                         |
| Contractual services                         | 77,573                        | 1,564                   | 79,137                             |
| Materials and supplies                       | 32,241                        | (996)                   | 31,245                             |
| Other                                        | 3,159                         |                         | 3,159                              |
| Capital purchases                            | 5,398                         | (5,398)                 |                                    |
| Depreciation                                 |                               | 5,624                   | 5,624                              |
| Total expenses                               | <u>430,621</u>                | <u>794</u>              | <u>431,415</u>                     |
| <b>Revenues</b>                              |                               |                         |                                    |
| Contributions:                               |                               |                         |                                    |
| City of Georgetown                           | 159,780                       |                         | 159,780                            |
| Scott County Fiscal Court                    | 159,780                       |                         | 159,780                            |
| Scott County Board of Education              | <u>79,800</u>                 |                         | <u>79,800</u>                      |
| Total revenues                               | <u>399,360</u>                |                         | <u>399,360</u>                     |
| Net revenues in excess (deficit) of expenses | (31,261)                      | (794)                   | (32,055)                           |
| Fund balance/net position, June 30, 2015     | <u>124,881</u>                | <u>44,416</u>           | <u>169,297</u>                     |
| Fund balance/net position, June 30, 2016     | <u><u>\$ 93,620</u></u>       | <u><u>\$ 43,622</u></u> | <u><u>\$ 137,242</u></u>           |

Amounts reported in the Governmental Fund financial statement differ with the Statement of Activities as follows:

The Governmental Fund financial statement reports capital outlays as expenditures while the Statement of Activities reports depreciation of these assets over the life of the assets:

|                         |            |
|-------------------------|------------|
| Capital asset purchases | \$ (5,398) |
| Depreciation expense    | 5,624      |

The Governmental Fund financial statement reports prepaid expenditures as current year expenses while the Statement of Activities includes prepaid expenses as assets

|                      |
|----------------------|
| <u>568</u>           |
| <u><u>\$ 794</u></u> |

*The accompanying notes are an integral part of the financial statements.*

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**1. Accounting Policies**

The Georgetown-Scott County Revenue Commission, Inc. (Commission) was created in 2004 by a joint agreement between the City of Georgetown, Kentucky (City), Scott County Fiscal Court (County), and Scott County Board of Education (School Board) for the purpose of interpreting the license tax provisions of the City, County, and School Board as necessary, and to provide for the collection of license tax revenues.

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below, and where appropriate, subsequent pronouncements will be referenced.

**Basis of Presentation**

**Government-Wide Financial Statements.** The statement of net position and statement of activities display information about the Commission as a whole and include the operating fund of the Commission. All operating activities of the Commission are reported as a governmental activity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

**Budgetary Control and Encumbrances**

**Budget Policy.** The Commission prepares and approves a budget annually for operating purposes. Budget amendments are made as needed.

**Management Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

Events that occur after the governmental fund balance sheet/statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Commission through November 14, 2016 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**2. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**Measurement Focus.** In the government-wide statement of net position and statement of activities, activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, and financial position. All assets and liabilities (whether current or non-current) associated with their activities are reported. Fund equity is classified as net position.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheet. Their operating statement presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**Basis of Accounting.** In the government-wide statement of net position and statement of activities, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

### **3. Assets, Liabilities, and Equity**

**Cash.** Cash includes cash accounts on deposit with the bank.

**Accounts Receivable.** In the government-wide statements, receivables earned consist of revenues earned at year end and not yet received. In the fund financial statements, receivables consist of revenues earned, which were collected within 60 days of year end. In addition, receivables include taxes due from taxpayers as of June 30, 2016, which were not collected until after June 30, 2016.

The direct write-off method is used for uncollectible accounts. This method is not in accordance with GAAP, but the departure does not have a material effect on the financial statements.

**Capital Assets.** The accounting treatment of property, plant and equipment (capital assets) is as follows:

***Statement of Net Position.*** In the statement of net position, capital assets are valued at historical cost, except for donated assets, which are recorded at their estimated fair value at the date of donation. Assets with an estimated life of greater than one year are capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position.

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation as follows:

| <u>Asset Class</u>     | <u>Years</u> |
|------------------------|--------------|
| Leasehold improvements | 20           |
| Equipment              | 5            |
| Vehicles               | 3            |

***Fund Financial Statements.*** In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Equity Classifications**

***Statement of Net Position.*** Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of June 30, 2016, there is no related debt.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by:
  - i. External groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or
  - ii. Law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

***Fund Financial Statements.*** Governmental fund equity is classified as fund balance. Fund balance is further classified as:

1. ***Non-spendable fund balance*** includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. ***Restricted fund balance*** includes amounts that are restricted to specific purposes either (a) by externally imposed creditors, grantor, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
3. ***Committed fund balance*** includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Commission's highest level of decision making authority. The Commission's highest level of decision making authority is the Board of Commissioners. Any committed fund balance would require the Board of Commissioners to adopt a resolution approving the commitment.
4. ***Assigned fund balance*** include amounts that are constrained by the Commission's intent to be used for specific purposes, but are neither restricted nor committed. The Commission's Director is authorized to assign the fund balance. The Commission has not adopted formal procedures to show that the Director has assigned the fund balance.
5. ***Unassigned fund balance*** represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

The Commission has determined that when both restricted and unrestricted funds are available, that they will use the restricted resources first. In addition, when expenditures could be deemed to have been expended by using committed, assigned or unassigned funds, the Commission has determined that the funds will be first categorized as assigned, second as committed and third as unassigned.

**Revenues.** The Commission's revenues consist primarily of operating grants from the City, County, and School Board. The three entities have agreed to reimburse the Commission monthly based on the approved budget of the Commission. The reimbursement rate is 40% by the City and County and 20% by the School Board.

**Expenses/Expenditures.** In the government-wide statements and fund financial statements, expenses are classified by function.

**4. Due from/Due to Tax Authorities**

License fee receivables at June 30, 2016 include amounts due from taxpayers, which are payable to the tax authorities as follows:

|                                                              | <b>Taxing Authority</b> |                     |                     | <b>Total</b>        |
|--------------------------------------------------------------|-------------------------|---------------------|---------------------|---------------------|
|                                                              | <b>City</b>             | <b>County</b>       | <b>School Board</b> |                     |
| Due from taxpayers:                                          |                         |                     |                     |                     |
| Net profits license fees                                     | \$ 45,158               | \$ 96,557           | \$ 54,502           | \$ 196,217          |
| Occupational license fees                                    | 1,363,715               | 1,548,705           | 326,141             | 3,238,561           |
| Penalties and interest                                       | 7,282                   | 7,701               | 5,910               | 20,893              |
| Regulated fees                                               | 500                     |                     |                     | 500                 |
| Total due from taxpayers                                     | 1,416,655               | 1,652,963           | 386,553             | 3,456,171           |
| License fee collections prior to June 30, 2016, not remitted | (105,978)               | (19,170)            | 136,228             | 11,080              |
| Total amounts due to tax authorities, June 30, 2016          | <u>\$ 1,310,677</u>     | <u>\$ 1,633,793</u> | <u>\$ 522,781</u>   | <u>\$ 3,467,251</u> |

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

|                          | <b>Balance<br/>July 1, 2015</b> | <b>Additions</b> | <b>Deletions</b> | <b>Balance<br/>June 30, 2016</b> |
|--------------------------|---------------------------------|------------------|------------------|----------------------------------|
| Leasehold improvements   | \$ 65,189                       | \$               | \$               | \$ 65,189                        |
| Furniture and equipment  | 65,205                          | 5,398            |                  | 70,603                           |
| Vehicles                 | 2,000                           |                  |                  | 2,000                            |
|                          | 132,394                         | 5,398            |                  | 137,792                          |
| Accumulated depreciation | (92,691)                        | (5,624)          |                  | (98,315)                         |
| Capital assets, net      | <u>\$ 39,703</u>                | <u>\$ (226)</u>  | <u>\$</u>        | <u>\$ 39,477</u>                 |

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**6. Concentration of Credit Risk**

Financial instruments which potentially subject the Commission to concentrations of credit risk consist of cash held in one financial institution. The Commission places its cash with high credit quality financial institutions that are FDIC insured. In addition, the bank has pledged certain investments held by the bank to the Commission as collateral. At June 30, 2016, the Commission's funds on deposit with the bank were adequately collateralized.

**7. Related Party Activities**

The Commission leases space from the Georgetown-Scott County Zoning Board under an informal operating lease agreement for \$12,000, annually of which \$6,000 is unpaid at June 30, 2016 and is included in the accompanying statement of governmental fund balance sheet/statement of net position as accounts payable, other. The Georgetown-Scott County Zoning Board is affiliated with the City and County. This lease may be terminated at any time by either party.

In addition, the personnel who work at the Commission are employees of the City. The Commission reimburses the City for the payroll cost associated with the employees. During the year ended June 30, 2016, the Commission's payroll costs totaled \$312,250, of which \$66,824 is accrued at year end. This is included in the accompanying statement of governmental fund balance sheet/statement of net position as accounts payable, intergovernmental.

**8. Significant Taxpayer**

A comparison of collections from one company and its affiliates to the total receipts for each taxing authority follows:

|                                   | <u>Amounts<br/>Provided</u> | <u>Total<br/>Receipts</u> | <u>% of Total<br/>Receipts</u> |
|-----------------------------------|-----------------------------|---------------------------|--------------------------------|
| <b>Occupational License Fees:</b> |                             |                           |                                |
| City                              | \$ 7,034,295                | \$ 9,741,200              | 72 %                           |
| County                            | 6,788,845                   | 11,304,966                | 60 %                           |
| School Board                      | 1,284,147                   | 2,755,601                 | 47 %                           |
| <b>Net Profits License Fees:</b>  |                             |                           |                                |
| City                              | \$ 2,487,732                | \$ 5,808,251              | 43 %                           |
| County                            | 2,648,489                   | 6,107,651                 | 43 %                           |
| School Board                      | 1,332,631                   | 3,165,258                 | 42 %                           |

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

|                                         | <u>Original<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|-----------------------------------------|----------------------------|---------------------------|------------------|-------------------------------------------------|
| Fund balance, beginning of year         | \$ 124,881                 | \$ 124,881                | \$ 124,881       | \$                                              |
| Expenses                                |                            |                           |                  |                                                 |
| Contract labor                          | \$ 312,923                 | \$ 312,923                | \$ 312,250       | \$ 673                                          |
| Contractual services                    | 58,085                     | 58,085                    | 77,573           | (19,488)                                        |
| Materials and supplies                  | 25,060                     | 25,060                    | 32,241           | (7,181)                                         |
| Capital purchases                       |                            |                           | 5,398            | (5,398)                                         |
| Other                                   | <u>3,400</u>               | <u>3,400</u>              | <u>3,159</u>     | <u>241</u>                                      |
| Total expenses                          | <u>399,468</u>             | <u>399,468</u>            | <u>430,621</u>   | <u>(31,153)</u>                                 |
| Revenues                                |                            |                           |                  |                                                 |
| City of Georgetown                      | 159,787                    | 159,787                   | 159,780          | (7)                                             |
| Scott County Fiscal Court               | 159,787                    | 159,787                   | 159,780          | (7)                                             |
| Scott County Board of Education         | <u>79,894</u>              | <u>79,894</u>             | <u>79,800</u>    | <u>(94)</u>                                     |
| Total revenues                          | <u>399,468</u>             | <u>399,468</u>            | <u>399,360</u>   | <u>(108)</u>                                    |
| Net increase (decrease) in fund balance |                            |                           | <u>(31,261)</u>  | <u>(31,261)</u>                                 |
| Fund balance, end of year               | <u>\$ 124,881</u>          | <u>\$ 124,881</u>         | <u>\$ 93,620</u> | <u>\$ (31,261)</u>                              |

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**ON BUDGETARY ACCOUNTING AND CONTROL**  
**For the Year Ending June 30, 2016**

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**Budgetary Accounting**

The annual operating budget is prepared and presented on the modified accrual basis of accounting by the Board of Commissioners.

The Commission does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the statement of governmental revenues, expenditures and changes in fund balance-budget and actual are the same.

## **SUPPLEMENTAL SCHEDULES**

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**SCHEDULE OF TAX RECEIPTS AND REMITTANCES TO TAX AUTHORITIES**  
**For the Year Ended June 30, 2016**

|                                | <u>City of<br/>Georgetown</u> | <u>Scott County<br/>Fiscal Court</u> | <u>Scott County<br/>Board of<br/>Education</u> | <u>Total</u>         |
|--------------------------------|-------------------------------|--------------------------------------|------------------------------------------------|----------------------|
| Prior year unpaid amounts      | \$ 1,122,294.11               | \$ 1,366,492.69                      | \$ 452,311.75                                  | \$ 2,941,098.55      |
| <b>Receipts</b>                |                               |                                      |                                                |                      |
| Occupational license fees      | 9,741,199.70                  | 11,304,966.08                        | 2,755,600.89                                   | 23,801,766.67        |
| Net profits license fees       | 5,808,250.70                  | 6,107,650.81                         | 3,165,258.42                                   | 15,081,159.93        |
| Penalty and interest           | 761,169.68                    | 764,903.41                           | 405,946.06                                     | 1,932,019.15         |
| Regulated business fees        | 3,225.00                      |                                      |                                                | 3,225.00             |
| Interest income                | <u>752.46</u>                 | <u>844.52</u>                        | <u>233.51</u>                                  | <u>1,830.49</u>      |
|                                | <u>16,314,597.54</u>          | <u>18,178,364.82</u>                 | <u>6,327,038.88</u>                            | <u>40,820,001.24</u> |
| <b>Disbursements</b>           |                               |                                      |                                                |                      |
| Collection fees                | 159,615.00                    | 159,615.00                           | 79,730.00                                      | 398,960.00           |
| Refunds:                       |                               |                                      |                                                |                      |
| Occupational license fees      | 100,929.72                    | 106,147.71                           | 15,752.99                                      | 222,830.42           |
| Net profits license fees       | 116,793.02                    | 117,272.03                           | 59,807.63                                      | 293,872.68           |
| Paid to taxing authorities:    |                               |                                      |                                                |                      |
| July                           | 1,879,932.01                  | 2,087,416.45                         | 712,603.71                                     | 4,679,952.17         |
| August                         | 1,057,342.30                  | 1,210,147.34                         | 247,975.39                                     | 2,515,465.03         |
| September                      | 1,754,566.00                  | 1,964,346.09                         | 710,654.56                                     | 4,429,566.65         |
| October                        | 3,334,810.80                  | 3,466,510.94                         | 1,480,031.47                                   | 8,281,353.21         |
| November                       | 884,187.78                    | 1,047,535.20                         | 305,967.67                                     | 2,237,690.65         |
| December                       | 2,095,321.83                  | 2,282,492.36                         | 806,525.00                                     | 5,184,339.19         |
| January                        | 789,693.71                    | 942,143.65                           | 249,033.63                                     | 1,980,870.99         |
| February                       | 949,523.21                    | 1,097,325.37                         | 291,415.51                                     | 2,338,264.09         |
| March                          | 839,303.87                    | 1,000,602.51                         | 328,616.64                                     | 2,168,523.02         |
| April                          | 1,453,389.74                  | 1,601,155.66                         | 570,412.20                                     | 3,624,957.60         |
| May                            | 975,689.62                    | 1,194,739.64                         | 373,244.66                                     | 2,543,673.92         |
| June                           | <u>1,151,770.69</u>           | <u>1,286,576.92</u>                  | <u>411,352.00</u>                              | <u>2,849,699.61</u>  |
|                                | <u>17,542,869.30</u>          | <u>19,564,026.87</u>                 | <u>6,643,123.06</u>                            | <u>43,750,019.23</u> |
| Balance due to tax authorities | <u>\$ (105,977.65)</u>        | <u>\$ (19,169.36)</u>                | <u>\$ 136,227.57</u>                           | <u>\$ 11,080.56</u>  |

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**SCHEDULE OF TAX REVENUES PAYABLE TO TAX AUTHORITIES**  
**June 30, 2016**

|                                                                            | <u>City of<br/>Georgetown</u> | <u>Scott County<br/>Fiscal Court</u> | <u>Scott County<br/>Board of<br/>Education</u> | <u>Total</u>           |
|----------------------------------------------------------------------------|-------------------------------|--------------------------------------|------------------------------------------------|------------------------|
| Balance due tax authorities on collections<br>prior to June 30, 2016       | \$ (105,977.65)               | \$ (19,169.36)                       | \$ 136,227.57                                  | \$ 11,080.56           |
| Taxes owed at June 30, 2016, but collected<br>subsequent to June 30, 2016: |                               |                                      |                                                |                        |
| Occupational license fees                                                  | 1,363,715.26                  | 1,548,705.14                         | 326,140.45                                     | 3,238,560.85           |
| Net profits license fees                                                   | 45,157.16                     | 96,557.04                            | 54,502.45                                      | 196,216.65             |
| Penalty and interest                                                       | 7,281.81                      | 7,700.56                             | 5,910.32                                       | 20,892.69              |
| Regulated business fees                                                    | <u>500.00</u>                 | <u>                    </u>          | <u>                    </u>                    | <u>500.00</u>          |
| Total tax revenues payable, June 30, 2016                                  | <u>\$ 1,310,676.58</u>        | <u>\$ 1,633,793.38</u>               | <u>\$ 522,780.79</u>                           | <u>\$ 3,467,250.75</u> |

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**SCHEDULE OF UNEARNED REVENUE REMITTED TO TAX AUTHORITIES**  
**June 30, 2016**

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|                                                                                    | <b>City of<br/>Georgetown</b> | <b>Scott County<br/>Fiscal Court</b> | <b>Scott County<br/>Board of<br/>Education</b> | <b>Total</b>        |
|------------------------------------------------------------------------------------|-------------------------------|--------------------------------------|------------------------------------------------|---------------------|
| Net profits license fee overpayments which<br>have been paid to taxing authorities | <u>\$ 513,704</u>             | <u>\$ 588,012</u>                    | <u>\$ 287,399</u>                              | <u>\$ 1,389,115</u> |

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners  
Georgetown-Scott County Revenue Commission, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Georgetown-Scott County Revenue Commission, Inc. (Commission) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 14, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Georgetown-Scott County Revenue Commission's Response to Findings**

The Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Miller, Mayer, Sullivan, & Stevens, LLP*

Miller, Mayer, Sullivan, & Stevens, LLP

November 14, 2016

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**As of June 30, 2016**

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**Finding 2016-001 Bank accounts were not properly reconciled to the general ledger during the year.**

**Criteria.** Monthly reconciliation of bank statements with the general ledger helps to ensure that the books of the Commission are properly posted.

**Cause.** No one was assigned the duty of preparing bank reconciliations when the individual who was preparing these left employment of the Commission. In addition, no one on the Board of Commissioners has been assigned the duties of reviewing the bank reconciliations.

**Effect.** The tax collection account did not reconcile to the general ledger, and the taxing authorities had not been reimbursed the proper amount.

**Recommendation.** Bank accounts should be reconciled and agreed to the general ledger monthly. In addition, one of the members of the Board of Commissioners should review the monthly reconciliations and note their approval on the reconciliation.

**Management Response.** We agree with the auditors' recommendation, and the following corrective action will be taken to eliminate this issue moving forward. Bank accounts will be reconciled and agreed to the general ledger monthly. In addition, to be compliant with segregation of duties, a GSCRC employee who is not an authorized signer on the accounts will complete the monthly bank reconciliations. One of the members of the Board of Commissioners will review the monthly reconciliations and note their approval on the reconciliations.